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Sessional Committee II

DRAFT REPORT OF SESSIONAL COMMITTEE II

Rapporteur: Mr. H. Aschentrupp (Mexico)

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Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 6 May 1994 at the latest to:

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INTRODUCTION

(i) At its 834th (opening) plenary meeting, on 18 April 1994, the Trade and Development Board decided to establish a sessional committee of the whole (Sessional Committee II) to consider and report on the following agenda item:

> UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s: investment promotion, foreign direct investment, transfer of technology (agenda item 6).

(ii) The Board also decided to establish a Special Sessional Committee to consider and report on the following agenda item:

> Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s (agenda item 5).

(iii) The Board further decided that the officers of Sessional Committee II would also serve as the officers of the Special Sessional Committee. The officers of Sessional Committee II as elected at the first part of the fortieth session would be retained in the same capacities at the second part of the session. However, in view of the departure from Geneva of Mr. L. Gatan (Philippines), Chairman of Sessional Committee II at the first part of the fortieth session, Mr. J. Thinley (Bhutan) was elected as Chairman for the second part of the fortieth session. The officers of Sessional Committee II and the Special Sessional Committee at the second part of the Board's fortieth session were therefore as follows:

Chairman:	Mr. Jigmi Thinley (Bhutan)
Vice-Chairman-cum-Rapporteur:	Mr. Hermann Aschentrupp (Mexico)

(iv) At the second part of the Board's fortieth session, Sessional Committee II held ... formal and ... informal meetings.

Chapter I

UNCTAD's CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s: INVESTMENT PROMOTION, FOREIGN DIRECT INVESTMENT, TRANFER OF TECHNOLOGY

(Agenda item 6)

1. For its consideration of this agenda item, Sessional Committee II had before it the following documentation:

"UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s: investment promotion, foreign direct investment, transfer of technology - report of the Secretary-General of UNCTAD" (TD/B/40(2)/9 and Corr. 1 (English only));

"UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s - Progress report by the Secretary-General of UNCTAD" (TD/B/40(2)/CRP.2).

2. The Chairman said that the African countries had entered the 1990s facing multifaceted crises in major areas such as food security, population, housing, public health, education, energy, industrial production, trade and environment. Putting Africa on the path of sustainable development would require improved domestic resource mobilization and increased external resources to supplement the domestic efforts.

3. He expressed confidence in the political will and solidarity of the international community in responding to the African challenges. Most African countries had recognized the need to adopt policies to improve the investment climate and were pressing ahead with privatization. Many had taken measures to deal with conflict and civil strife, as well as measures to improve governance. Other positive developments had included intensification of efforts towards integration. However, these efforts had not yet significantly influenced the inflow of private external resources to the continent. He expressed confidence that the Committee's deliberations would contribute towards enhancing African countries' awareness of the factors still impeding inflows of external private resources. He expressed the hope that the Committee's discussions would lead to practicable policy measures to deal with the situation. It was also expected that the

international business community, particularly potential investors, would become more aware of the investment opportunities that did exist.

4. Finally, on the question of economic migration, the developed countries must be prepared to assist the labour-surplus countries to adopt the broad-based development strategies and attract the FDI necessary to allow their population to remain and enjoy acceptable standards of living.

5. The Director of the Division for Economic Cooperation among Developing countries and Special Programmes recalled that the secretariat had been requested to prepare and submit to the current session of the Board a progress report, an evaluation of UNCTAD's contribution to the implementation of the New Agenda (a biennial exercise), and an analytical report on investment promotion, foreign direct investment and the transfer of technology. However, the evaluation of UNCTAD's contribution to the New Agenda would be carried out at the forty-first session of the Board so as to coincide with the consideration of the implementation of the New Agenda by the Economic and Social Council. UNCTAD's evaluation of the implementation of the New Agenda would also be used as an input for the General Assembly's 1996 mid-term review of the implementation of the New Agenda.

6. The two experts invited for the Committee's informal session were from the business sector and had been or were involved in locational decisions of multinational corporations. The principal objective of the Board's consideration of investment promotion, foreign direct investment, and transfer of technology was to enhance awareness on the part of African countries of the specific factors which might be discouraging foreign investment in the continent, and at the same time increase awareness of potential foreign investors of investment opportunities that existed in African economies.

7. She briefly outlined the issues discussed in the secretariat's document, namely the reasons for the inadequate flow of foreign direct investment and insufficient local investment, and she referred to the measures already taken by African Governments to improve the investment climate, as well as additional measures that could be taken. She expressed the hope that the Board's deliberations would lead to practicable proposals for actions to stimulate investment in Africa and reverse the current trend of economic decline in the region.

8. A key element in attracting foreign direct investment in particular and stimulating investment in general was the avoidance of disincentives, together with the maintenance of generally sound macro-economic management, political stability and good economic and export performance.

9. The areas that could be singled out as requiring urgent attention included: investment in human resources - including the need to encourage a positive attitude toward learning; development of physical infrastructure; appropriate monetary and fiscal policies; and the provision of the relevant information for purposes of "marketing" the host economy to potential investors. The Director emphasized the imperative need to resolve the conflicts and civil strife that faced a number of African countries, as well as to reduce security-related expenditures and release resources for the social sector, including infrastructural development.

10. With regard to the role of the international community, Africa needed technical assistance in a number of areas related to investment promotion, including facilitation of business-oriented industrial investment ventures between African entrepreneurs and their counterparts in industrial and more advanced developing countries. Other assistance could be directed towards increasing capacity for domestic resource mobilization; establishing investment promotion machinery; and training African nationals in techniques of investment promotion.

11. She concluded by informing the Board that the UNCTAD secretariat was considering the possibility of organizing a symposium on the investment climate in Africa, with the participation of high-level government officials, representatives of transnational corporations and high-level experts.

12. The spokesman for the African Group (United Republic of Tanzania) said that the secretariat document contained useful ideas which had been further developed by the presentations of the experts who had participated in the Committee's informal meeting. In spite of various initiatives taken at the international level, such as the United Nations Programme of Action for African Economic Recovery and Development, the Programme of Action for LDCs, and the New Agenda for the Development of Africa in the 1990s, Africa remained the poorest among the developing regions. This deterioration in economic performance was occurring at the same time as most African countries were implementing bold economic liberalization measures aimed at boosting production in the agricultural and industrial sectors, stimulating exports and encouraging further investments, including foreign direct investment.

13. In view of the negligible inflow of private capital, ODA had become the single most important source of external financing in Africa. However, many donor countries were far from fulfilling their commitments with regard to the target of 0.7% per cent of GNP. He appealed for increased ODA transfers to Africa. He called upon African countries to intensify their efforts in encouraging private investment through foreign direct investment, and invited TNCs and other

enterprises to invest in Africa's agricultural and industrial sectors, particularly manufacturing. The limited flow of private investment to Africa had, hitherto, been concentrated in the exploitation of natural resources and the services sector.

14. He called for assistance to African countries to alleviate the constraints affecting foreign direct investment, namely low incomes, low levels of domestic savings, lack of trained manpower with managerial and technical skills, and lack of good infrastructure, including efficient telecommunications, transportation, port facilities, industrial infrastructure and financial services.

15. He dealt briefly with the measures which African countries had implemented to improve capital inflows and prevent capital flight, and also pointed out that African countries were undertaking major efforts aimed at vertical and horizontal diversification of their commodity sector. To succeed in this, Africa needed improved market access, particularly for processed and semi-processed goods, which currently faced tariff escalation and non-tariff measures, particulary in the developed countries.

16. He called for assistance in developing Africa's scientific and technical infrastructure to improve its technological base, enhancing the capacity for assimilation, adaptation and further development of imported technology and improving capacities for R & D. African R & D centres should develop technology locally and ensure that it was commercialized by the productive sector. He expressed the hope that developed countries would permit technology transfer to Africa through direct investment, as opposed to the present situation where preference was given to export of final goods.

17. He concluded by expressing the hope that the international community would provide adequate assistance to African countries to enable them to mitigate any negative impacts on their economies of the results of the Uruguay Round and to take advantage of the opportunities that might arise.

18. The representative of Greece, speaking on behalf of the European Union, said that the European Union was in full agreement with most of what was contained in the secretariat's document, which represented a valuable contribution in terms of highlighting the importance of foreign direct investment, identifying the relevant obstacles in Africa and setting out the necessary policies.

19. The challenges facing the continent were enormous and the prospects forecast for the next decade were bleak, but opportunities did exist. In order to exploit these opportunities and meet the challenges, Africa would require stability, sound

development strategies and substantial external support. The European Union subscribed to the view expressed in the secretariat document concerning the importance of the overall investment climate. In this regard, he singled out the wider use of bilateral investment and protection agreements as effective means of encouraging investment flows. However, the analysis and proposed approaches set out in the secretariat document were general in nature, and the document could have benefited from more references to individual country experience, thus identifying approaches which had worked. He cited the Swaziland example described in the document.

20. While the report was understandably devoted to direct investment, the recent trend for risk capital in Western countries to seek portfolio investment opportunities in "emerging markets" pointed to the potential importance of developments in this field. There was thus a need for adequate development of financial institutions, and in particular stock markets, in Africa.

21. There existed a number of facilities and institutions, such as the Lomé Convention, the European Investment Bank, the European Commission and the Centre for the Development of Industry, which African countries could turn to for the promotion of enterprise and private investment. In addition, the European Development Fund provided technical assistance to private enterprises in many forms, particularly in such fields as studies, strengthening financial institutions, assistance in the form of training and management, the presentation of specific projects to finance institutions, the organization of investors' forums and establishment of contacts between European and local enterprises and international finance institutions. The Centre for Development of Industry (CDI) also promoted cooperation between the European Union and ACP small and medium industries (joint ventures, management contracts, training, subcontracting, etc). It also supported the creation and improvement of local small and medium industries through various forms of technical assistance. The CDI could also finance market surveys and feasibility studies for specific industrial projects and seek out European partners for joint investment projects.

22. From the South-East Asian countries' experience, Africa could learn, with appropriate adaptations, inter alia about the close link existing between human capital and economic performance, and the role of well functioning markets. Another important factor was the acquisition of technology, which was usually associated with FDI. He noted the improvements that had taken place in creating a favourable climate for business in Africa, and said that Africa deserved recognition for this. However, there was still much that needed to be done. There

was also still room for improvement on the policy front, including establishment of efficient mechanisms for financial markets.

23. He concluded by saying that UNCTAD was in a position to provide technical assistance as regards FDI and transfer of technology to Africa, and appropriate measures had to be taken in this regard. The work of the Ad Hoc Working Groups on Investment and Technology Transfer and on Investment and Financial Flows had to be taken into consideration in this connection. The needs of the African continent deserved a more concerted effort by the international community in terms of embarking on policies to meet the developmental needs of the countries of Africa. The European Union would continue to contribute towards that end.

24. The representative of Sudan said that it was apparent from the secretariat's report that Africa remained the poorest among the developing regions and that, although African countries had made tremendous efforts to revise their economic policies and encourage investment, negative perceptions still persisted. Noting the low levels of investment flows to Africa, he said that FDI in Africa was primarily directed towards the non-manufacturing sectors, and in most countries was concentrated on exploitation of natural resources and in services such as trading houses, construction and financial services. It was clear that the large foreign investors preferred to trade with Africa rather than invest in productive activities in the region.

25. His country had taken action in a number of areas to create a favourable investment climate, and it had also endeavoured to reconstruct and liberalize its economy. It was privatizing certain agricultural corporations and industrial projects and all these corporations were open to interested foreign investors.

26. He concluded by stating that the international community could assist Africa by finding the means to solve the long-standing debt problem and to raise the necessary funds to boost the programmes for economic reconstruction adopted by almost all the countries of Africa.

27. The representative of Egypt said that, in spite of the structural adjustment programmes implemented by African countries and the incentive packages introduced to attract investment, most African countries had experienced decreasing foreign direct investment. While each country was different, there were common problems such as debt, high population growth rates, poor infrastructure, high external dependence, and inability to adapt to fluctuations in international prices and falling terms of trade. African countries were particularly vulnerable to external stocks which affected their development efforts.

28. There was a need to change the negative image of Africa that persisted among potential donors and to develop a positive image that reflected the progress that had been made. The media were partly responsible for this negative image of Africa and the consequent low levels of foreign direct investment to the continent. There was therefore a need for publicity campaigns to promote foreign direct investment. He also said that his delegation agreed with the secretariat report that the legal framework was critical in attracting foreign direct investment.

29. African countries also suffered from a technology gap. This was affecting particularly the small enterprises, which were not in a position to adapt technology by themselves. South-South co-operation and intra-African co-operation could solve part of the problem, and his country was making every possible effort to promote co-operation with other African countries in this regard.

30. Referring to future UNCTAD work on these issues, he said that the question of creating a favourable investment climate needed further elaboration. He also supported the idea of an international conference on investment promotion in Africa, as well as the need for appraisal missions to African countries. UNCTAD's role was critical in helping African countries, particularly in the post-Uruguay Round and World Trade Organization era.

31. The representative of Japan said that Africa today faced the worst economic and social problems in the world. Economic growth and per capita income had not shown any positive signs in the 1990s, and food shortages had been aggravated by the continuous high population growth rate. The terms of trade for Africa had also deteriorated, and the ratio of debt to GNP and exports remained the worst in the world. Moreover, Africa had often been hit by severe drought and famine, and the widespread civil strife and political instability in various parts of the continent made the situation worse. It was encouraging to note, however, that some countries implementing economic as well as political reform programmes had shown signs of economic growth and stability.

32. The Tokyo International Conference on African Development had taken place in October 1993, and it had been attended by approximately 1,000 people, including representatives of 48 African countries, 12 donor countries and the European Union, 8 international organizations, NGOs and observers. The Conference had concluded that: (1) while the international community must continue and increase its assistance to Africa, aid alone could not solve all the problems which Africa faced; (2) the scope of international assistance was dependent upon how African countries coped with issues such as good governance and democratization; (3) in view of the usefulness of exchanging development experiences between Asian and

African countries, opportunities for South-South cooperation had to be increased. In this connection, his Government announced its willingness to host an Asia-Africa Seminar in 1994.

33. At the Conference, his Government had emphasized the importance of supporting democratization processes, structural adjustment efforts, human resources development, and environment protection efforts in African countries. His Government had followed this up by undertaking to implement several measures: (1) enhanced support for structural adjustment programmes: increasing support for the Ehanced Structural Adjustment Facility (ESAF) of IMF. The renewed Facility had become operational in February 1994. The Japanese contribution now amounted to approximately 43 per cent of the Capital Account of the Facility. Japan had also committed itself to contributing US$ 1.1 billion (i.e 20 per cent of the total funds) to the World Bank's Special Programme of Assistance for Africa, Phase III, which would provide assistance to the sub-Saharan African countries during the period 1994-1996. Furthermore, Japan had already provided balance-of-payments support in bilateral grant form under the SPA-3 scheme to nine African countries in 1994; (2) assistance to human resources development: there were two programmes envisaged under this activity. First, there was the African Youth Invitation Programme, under which Japan would invite 100 African youths every year to stay in Japan for one month. So far 50 young African women engaged in the field of education had been invited. Secondly, there was the Asia-African Seminar, which was aimed at promoting Asia-Africa cooperation for the development of African countries. It would be hosted in Indonesia in 1994, with the Indonesian Government, the United Nations and UNDP as co-organizers, to discuss and exchange views on the institutional framework for human resources development in both Asian and African countries. The seminar would focus on the modalities of cooperation between Asian and African countries; (3) ground water supply projects for human development: aimed at improving drinking water supply for local inhabitants. The ground water supply projects included feasibility studies, technical assistance for ground-drilling, and the provision of ground-drilling and water-pumping equipment.

34. The representative of Switzerland commended the secretariat for the choice of experts for the Committee's informal meeting. African problems were well known, and the African crisis remained a challenge to the international community. The donor countries were called upon to provide greater assistance to Africa, and in that connection his country had earmarked 37 per cent of its ODA for Africa.

35. The problems facing Africa had been analyzed well within UNCTAD. There was no alternative to the pursuit of reforms, though he accepted that these were not without initial hardships. Opportunities did exist in Africa, and there was no

shortage of the business spirit, but there was a need to marshall human resources to enable the African entrepreneur to take advantage of the existing opportunities.

36. He agreed with the analysis and proposals contained in the secretariat's document, but the proposals could have included more urgent, specific measures for implementation. The view of his delegation was that top priority had to be given to mobilization of domestic savings, reform of the banking sector and tax reforms. Other urgent measures included expansion of the role of the private sector, improvements in business law and dissemination of appropriate knowledge. His delegation did not fully agree with the view that venture capital should be encouraged in Africa. This form of capital was not a good basis for sustainable development, and Africa needed productive rather than speculative investment. Provision of tax incentives and debt-swaps were not necessarily attractive and could result in unnecessary wastage of funds. Investment guarantees were more in keeping with market rules and thus more likely to be the appropriate means of attracting foreign direct investment.

37. Follow-up work by the UNCTAD secretariat should take into account the outcome of the Ad Hoc Working Groups on the relevant issues. Focus on small-scale enterprise would prove effective, and such areas as trade efficiency and human resources development should also be emphasized. African countries had to give higher priority to basic education, since it gave higher returns, and they needed technical assistance to improve accounting procedures. Because there were various bodies pursuing similar ends, it was imperative to ensure consistency. His country pledged continued support for the African countries.

38. The representative of Norway, speaking on behalf of the Nordic countries, said that since the late 1980s there had been a significant increase in foreign direct investment in developing countries, and FDI was in the process of surpassing ODA as the single most important source of external financing for developing countries, accounting for nearly one-third of total net resource flows. FDI was already the main vehicle of technology transfer. In terms of employment creation, technology diffusion and economic development, this represented a positive development for those countries which had received such investments. However, FDI to sub-Saharan Africa had actually declined in recent years, and sub-Saharan Africa was the only developing region that had recently suffered from declining FDI inflows.

39. This trend had to be reversed. FDI alone would not put Africa back on a growth track. However, foreign investment tended to increase in the presence of a sound, stable and growth-conducive economic environment, and foreign investment itself would in turn stimulate the growth process. So in a sense, FDI followed - it did

not lead. In this regard, he agreed with the secretariat document that FDI would be attracted to a county if that country was popular with its own business community - the domestic investors and entrepreneurs. If African investors were hesitant, risk-averse or transferring financial resources abroad, not much FDI could be expected. He agreed with the view that FDI would be stimulated by political stability, a stable macro-economic environment, predictable economic policies, a qualified work-force, legal guarantees, elimination of undue red tape, an open trade policy and local and regional market opportunities. In other words, what determined FDI inflows were very much the same elements that together shaped a sound economy.

40. The Nordic countries recognized that many African countries had made significant progress in creating a more market-oriented economic environment during the last decade, and some countries deserved greater recognition for their efforts than they have received so far. The fact remained, however, that both domestic and foreign investors in many African countries had yet to respond to the reforms undertaken. In the case of FDI, this might be due to the overly negative images and perceptions of Africa, but the Nordic countries believed that the lack of FDI response had more to do with yet unfinished reform and remaining structural deficiencies. He called upon the international community to support that process, with technical assistance, R & D cooperation and official development assistance to those who needed it most.

41. The state had a positive role to play in creating a sound business climate. This would include institution-building and human resources development - both of which were badly needed in Africa. The principle of equal treatment was very important, and performance requirements over and above those that applied to national investors had to be avoided, since they might discourage foreign investors from investing at all. Just as important, foreign investors should generally not receive any privileged treatment denied to national investors in similar circumstances. The use of subsidies, tax exemption or outright tax holidays was - in most cases - both costly and of little relevance for the foreign investors concerned. For them, it was the overall business climate that really counted.

42. The representative of the United States of America said he agreed with the secretariat document that the investment climate was crucial to investors' decisions. Although progress had been made in Africa in recent years, much more needed to be done if significant foreign investment was to be made outside the petroleum sector, the major recipient. Many African countries still needed to have a more aggressive and consistent approach to achieve conditions which would be

encouraging to investors. Privatization and deregulation needed to be accelerated to create a more favourable investment climate.

43. There existed a number of impediments to investment in Africa that were not covered in the secretariat's report, including corruption and the absence of rule of law. High tax rates represented another problem that needed to be addressed, since small-scale enterprises were adversely affected by high taxes. The government sector was also too large, in many cases creating an excessive burden on the economy.

44. He agreed with the secretariat's report that political stability was important, but stability without democracy was not enough to attract foreign direct investment. Government intervention beyond support of a favourable investment climate should be approached with great care, since many economic interventions by government in Africa had proved harmful. His delegation agreed with the view that regional integration would be helpful in attracting investment, as larger markets would become available. His delegation also shared the view that more contact between African business communities and Governments and their counterparts in the developed world would be useful.

45. The United States was committed to the protection and facilitation of investment in Africa through the Overseas Private Investment Corporation and other agencies and through bilateral investment treaties with several African countries. The Multilateral Investment Guarantee Agency and the International Finance Corporation provided similar assistance on a multilateral basis.

46. The representative of Algeria said that it had been 10 years since African countries had initiated structural adjustment programmes. The African countries had attempted to improve mobilization of domestic savings and attract foreign direct investment, but, as the Trade and Development Report 1993 and the recent report of the World Bank on the Economic Outlook of Developing countries had indicated, the African situation had not improved.

47. Her delegation was convinced that, in spite of the pervasive negative situation, opportunities did exist. Many African countries, including her own, had improved their investment codes, inter alia giving guarantees for repatriation of profit and settlement of international disputes. However, there was a need for manifestation of greater political will to assist African countries. The design and implementation of structural adjustment programmes were still in need of improvement, and attention also had to be paid to the issue of the debt burden and compensatory mechanisms in the face of the vulnerability of most African countries

to external stocks. Her delegation was in favour of the idea of convening a world conference on commodities, under UNCTAD's auspices. In that connection, it was important that the Board's conclusions and recommendations be given a proper follow-up.

48. Finally, Algeria had recently ratified the Treaty establishing the African Economic Community, and it believed strongly that economic integration would help Africa's economic development.

49. The representative of India said that Africa had been suffering from a continuous deterioration of its internal and external environment. Fluctuations in international commodity prices had adversely affected Africa, especially those countries dependent on cocoa and coffee. Africa's share of FDI inflows to developing countries was less than 7 per cent of the total. Recently, it had seen very little influx of private capital, and most of the capital flowing in was in the form of ODA. Political instability, high population growth rates, natural disasters, etc., had further exacerbated the situation.

50. There was an urgent need to take steps to ameliorate the situation and put Africa back on the path of development and growth. The African countries themselves had courageously adopted rigorous structural adjustment programmes and had implemented other economic reform measures. In this connection, they had undertaken widespread deregulation of their economies and adopted market-oriented approaches. Despite all these changes, Africa had not been able to overcome its problems of slow recovery and poor growth performance.

51. There were certain key areas in which international assistance would help the African countries to better integrate themselves with the world economy and to attract greater flows of resources, specially foreign direct investment. These would include building up appropriate infrastructure, with adequate transportation facilities, reliable power and water supply, and good telecommunication facilities, as well as human resource development through the training of personnel in both managerial and technical areas. This had to be coupled with proper transfer of technology and the building-up of adequate domestic technological capability. Another area that needed attention was strengthening of the financial sector through the setting-up of efficient financial institutions, capital markets, and stock exchanges. He called for appropriate debt reduction strategies to help the African countries obtain relief from the debt burden they were under.

52. UNCTAD could play a leading role in assisting the African countries in developing strategies for these areas, and especially in the field of technical

cooperation. He applauded the increasing regional and subregional integration in African, and he called for adequate funding for the institution concerned. However, given the multiplicity of such regional institutions, efforts should be made to eliminate duplication among them. His country would support all efforts of the international community to provide assistance to Africa.

53. The representative of China said he believed that the Board's consideration of the New Agenda would result in positive assistance to Africa. He noted the low levels of foreign direct investment in Africa, the problem of capital flight, and the inadequacy of domestic resources, and said that, to promote foreign direct investment, political and social stability were important, as were good macro-economic management, suitable infrastructure, and adequate human resources.

54. Many African countries were implementing reforms which included trade liberalization, incentive packages to attract direct investment, etc. However, domestic resources were essential as well, and the fact was that in Africa domestic resources were lacking. He called upon the international community to acknowledge this and to provide Africa with the necessary assistance.

55. Referring to the consideration of the implementation of the United Nations New Agenda for the Development of Africa in the 1990s by the Economic and Social Council in 1995 and the mid-term review by the General Assembly in 1996, he called upon the international community, especially the developed countries, to assist the African countries with resources and to provide technical assistance to facilitate economic reform. In particular, developed countries could provide investment guarantees and financial support to encourage their own nationals to invest in Africa, agree to debt reduction and debt-equity swaps to help mobilize domestic resources, and provide more training opportunities in order to help develop human resources. There should also be a thorough evaluation of the Uruguay Round agreement as to its impact on developing countries, as well as an information campaign on the development potential of African countries, investment opportunities and the improved investment climate in that region.

56. The representative of Senegal described the historical background to the programmes on Africa and gave a brief account of the role played by his country in bringing about these programmes. His country had put in place a number of measures aimed at attracting foreign direct investment and ensuring stable growth and development. It had also put in place a structural adjustment programme with the assistance of the multilateral financial institutions, and it had undertaken extensive privatization programmes, involving sectors such as agriculture, livestock, fisheries, etc. However, it regarded certain sectors as of strategic

importance and it would not therefore privatize everything. His country attached great importance to economic integration and cooperation among African countries and to this end had signed the Abuja Treaty establishing the African Economic Community. He expressed the hope that this would stimulate investment in the region and attract foreign direct investment.

57. The representative of the Syrian Arab Republic said that, in spite of determined efforts on the part of African Governments, the economic situation in most African countries had not improved. Future efforts therefore had to be well co-ordinated. She endorsed the view that stability was a prerequisite for attracting foreign direct investment.

58. The representative of Nigeria, noting that there was fierce competition for limited resources among nations, pointed out that Africa, as a region, continued to pose enormous social, economic and political challenges to the international community. Africa's difficulties were aggravated by poor economic performance, and these problems had been adduced to explain the low levels of foreign investment in African countries. His delegation's view, however, was that regions with similar problems had received more assistance and greater foreign investments.

59. African countries had embarked on painful economic reforms, but the achievements of these programmes would be limited if the debt problem was not addressed sufficiently. His own country, Nigeria, spent about 52 per cent of its foreign exchange earnings on debt servicing, and most of the remainder was spent on social services and infrastructure. To address this problem, vast amounts of resources needed to be mobilized from within Africa as well as from external sources. Africa needed a Marshal Plan type of assistance. The problems to be addressed also included transport and communications links, energy, infrastructure and environmental degradation.

60. Nigeria, as part of its economic reform programmes, had put in place a number of policy measures to encourage local investment and foreign direct investment. It had harmonized investment laws and regulations and eliminated most bureaucratic hurdles to private investment. Nigeria had over 100 embassies and consulates around the world to facilitate visa processing for business-related trips and provide the necessary assistance to investors.

61. His country had undertaken human resources development to provide skills to facilitate the design and implementation of efficient policies, in particular in the areas of structural reform, foreign direct investment and support for the private sector. Additional technical assistance in these areas would help. UNCTAD

should intensify its efforts to come up with practicable policy options to deal with his own country's situation and the African situation in general, while the industrialized countries and relevant international institutions should encourage investments and increase assistance.

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Sessional Committee II

UNCTAD'S CONTRIBUTION TO THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s: INVESTMENT PROMOTION, FOREIGN DIRECT INVESTMENT, TRANSFER OF TECHNOLOGY

Draft agreed conclusions of Sessional Committee II

1. Sessional Committee II considered item 6 on the agenda of the Trade and Development Board at the second part of its fortieth session. There was a fruitful exchange of views on the specific issues relating to investment promotion, foreign direct investment and transfer of technology to Africa. The Board's deliberations identified factors that still restrain investment inflows to Africa, as well as possible responses by the African countries, UNCTAD and the international community in general. UNCTAD secretariat document TD/B/40(2)/9 provided the background for the Committee's work. Also, the work of the three Ad Hoc Working Groups on (a) Investment and Financial Flows; Non-debt-creating Finance for Development; New Mechanisms for increasing Investment and Financial Flows; (b) the Interrelationship between Investment and Technology Transfer; and (c) Comparative Experiences with Privatization has already provided the framework for responding to some of these issues.

2. In accordance with paragraph 6 of Agreed Conclusions 403 adopted by the Trade and Development Board at the second part of its thirty-ninth session, the successful outcome of the Tokyo Conference on African Development, held in October 1993, was reported on and welcomed.

3. The Board agrees that:

(a) The economic situation in most African countries continues to deteriorate, and effective measures to reverse the situation with the aim of attracting, promoting and retaining investment, including increased financial flows, are needed;

(b) Sound and sustainable macroeconomic policies, political stability, good governance, physical and institutional infrastructure and human resource development are a prerequisite for encouraging increased investment in Africa;

(c) Creating the legal, economic, and social conditions conducive to domestic investment has also proven to be effective in attracting foreign investment.

4. The Board invites African countries to:

(a) Initiate or continue reforms of legal and regulatory frameworks in order to improve the business environment, both for domestic and for foreign investment;

(b) Undertake and maintain efforts to create macroeconomic stability and carry out appropriate structural adjustment and liberalisation policies;

(c) Take concrete steps to facilitate the development of local private enterprises and to involve the private sector in policy formulation;

(d) Strengthen local capital markets, including new or expanded stock exchanges and specialized financial institutions, providing equity and loan capital to small and medium-size enterprises (SMSE);

(e) Raise the level of investment in human capital, in particular in the literacy and numeracy of the general population;

(f) Facilitate regional integration and cooperation, in particular in the areas of laws and regulations pertaining to the conduct of trade and investment, by strengthening and rationalising existing regional intergovernmental mechanisms;

(g) Take steps to enable enterprises to benefit from foreign portfolio investments, inter alia, through the development of appropriate financial institutions.

5. The Board urges the international community to:

(a) Assist and support African countries in pursuing the above endeavour by creating new, wherever possible, and strengthening existing, channels of assistance and programmes of support in areas such as human resource development and technology transfer, in particular, through research and development centres, and support studies regarding the feasibility of the establishment of financial institutions, creation and reform of legal and regulatory frameworks pertaining to business conduct, creation of investment guarantee mechanisms and strengthening and developing of the financial sector;

(b) Reaffirm that the conceptual framework and implementation of structural adjustment policies should be improved by recognizing that these programmes and reforms induce social and adjustment costs and assist African countries to mitigate these effects;

(c) Assist African countries in disseminating information on investment opportunities in Africa, investment promotion programmes, and the improved investment environment resulting from the initiatives taken by African Governments;

(d) Intensify efforts to alleviate the debt burden, according to provisions in the New Agenda for the Development of Africa in the 1990s;

(e) Continue supporting Africa's development efforts by meeting their ODA commitments and targets.

6. The Board requests the UNCTAD secretariat, within UNCTAD's mandate, and where appropriate in cooperation with relevant agencies of the United Nations system, to:

(a) Ensure that, in accordance with the Board decision taken at its thirty-ninth session, first part,[1] the needs of African countries be taken fully into account in its activities;

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[1] See TD/B/39(1)/15

(b) Propose ways and means of:

(i) Creating a sound business environment in such areas as accountancy, legal and regulatory frameworks, dispute settlement and arbitration mechanisms, and investment guarantee mechanisms, through technical assistance programmes, seminars and training, conferences, compilation of existing national regulations on investment, etc.;

(ii) Providing assistance in promoting the development of private enterprises by, inter alia, facilitating networking of private enterprises through such organs as Chambers of Commerce, studying the applicability of various credit creation mechanisms to Africa, and exploring and studying creative ways to promote private enterprise development, such as joint enterprises and management contracts;

(iii) Providing technical assistance to financial institutions, such as commercial and development banks and insurance companies, and conducting feasibility studies for creating and strengthening the effectiveness of local capital markets;

(iv) Facilitating human resources development in such areas as education, management, technology and engineering, accounting and finance by providing and expanding training programmes such as TRAINFORTRADE or facilitating cooperative programmes, using, inter alia, qualified manpower provided by other countries.

(c) Facilitate and assist the dissemination of information on business and investment opportunities in Africa, investment promotion programmes, and the improved investment environment resulting from reforms in such areas as legal and regulatory frameworks; move promptly to respond to requests to establish Trade Points as a way to increase information on trade and investment opportunities;

(d) Promote technical assistance programmes that encourage capacity-building with a view to augmenting Africa's own capacity, and in particular putting in place a sound technological base.

Future work of the Board

7. The Board requests the secretariat to report to it in progress reports on the follow-up to these activities.

8. The Board requests the secretariat to prepare and present, to the second part of the forty-first session of the Board, an evaluation of UNCTAD's contribution to the implementation of the United Nations New Programme for the Development of Africa in the 1990s.

9. The Board invites Governments to consider making extrabudgetary contributions to enable the secretariat to carry out the above activities.